National Bank: Boosting its Balkans role

By Kerin Hope

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National Bank of Greece has completed its expansion in south-east Europe by acquiring 82 per cent of Banca Romaneascu, a medium-sized Romanian bank established by the Romanian American Enterprise Fund.

The acquisition gives it a presence in all the Balkan countries that have attracted significant Greek investment. In Bulgaria and Macedonia, NBG controls local banks, while in Serbia and Albania it operates branch networks.

Like other Greek banks, NBG followed its corporate customers to the Balkans a decade ago, opening branches in the region's capital cities. Greek companies have poured more than €7bn into the region led by investments in telecoms, oil refining, product distribution, soft drinks and metallurgy.

But the acquisition of banks with a sizeable domestic franchise - United Bulgarian Bank and Stopanska Banka in Macedonia - has enabled NBG to broaden its strategy. With the addition of Banca Romaneasca, group assets in the region total €1.7bn.

"We're focusing on providing retail banking services for local customers," says Agis Leopoulos, general manager for international operations. "The aim is for NBG to be the bank of choice for households across the region."

After several years of improved political stability and economic growth averaging more than 4 per cent yearly, the Balkans are becoming "a place where many more people want to acquire credit cards and mortgages," Mr Leopoulos says.

The level of financial intermediation is growing fast although from a low base. More "mattress money" is coming into the banking system as confidence recovers after a decade of dislocation.

NBG's research department says Balkan-based banks saw the deposit base increase to more than 30 per cent of gross domestic product last year from just a little over 20 per cent in 1998. This compares with more than 50 per cent of gross domestic product for central European countries.

Retail lending is projected to exceed 20 per cent of GDP this year, driven by declining interest rates.

"Operations have developed at different speeds, but by next year we plan to offer all our retail products in each country," Mr Leopoulos says. "For example mortgages are doing well in Albania, but we have still to launch credit cards there."

NBG faces stiffening competition in the Balkans from other foreign banks. Hungary's OTP, Raiffeisen of Austria and France's Société Générale are all increasingly active. However, NBG has the biggest network. The acquisition of Banca Romaneascu, with assets of $140m and 15 branches around the country, increases the number of outlets to 230 across the region.

NBG has not disclosed how much it paid for the bank, but Bucharest-based analysts put the price tag at around €30m. NBG is expected to offer a shareholding of up to 15 per cent to the European Bank for Reconstruction and Development when it takes over the bank next year. The EBRD already holds minority stakes in UBB and Stopanska.

UBB, the second-biggest bank in Bulgaria and the market leader in retail lending, is NBG's most profitable Balkan operation. By contrast, Stopanska, the biggest Macedonian bank, which was burdened with a high percentage of unrecognised bad loans, is expected to break even this year.

However, Apostolos Tamvakakis, NBG's deputy governor, says the 15 branches in Serbia, established after the overthrow of the Milosevic government, were all profitable in their first year of operation: "They have been relatively cheap to set up, while there's a strong demand for international standard banking services."

He says the Balkan operations contributed 7 per cent of group first-half pre-tax profits of €380m, "but we expect this percentage to triple over the next three years as retail lending takes off."

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